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June 28, 2022

Audit and Ethics Committee
The Metropolitan Water District of Southern California
Los Angeles, California

Ladies and Gentlemen:

We have been engaged to audit the financial statements of Metropolitan Water District of Southern California, the Six Agency Committee and the Colorado River Authority (collectively referred to as the Organizations) as of June 30, 2022 and for the year then ended. Our audit is performed under auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we issue a report on our consideration of the Organizations internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters, in addition to the audits of the financial statements. Our professional standards also require that we provide you with the following information related to the planned conduct of our audit.

Our Planned Scope and Timing of the Audit

We have held several meetings with management to discuss the significant components of the 2022 audit. These discussions were used to identify the significant audit areas and to assist in determining the significant risks related to fraud and error. We identified the risk of management override of controls as the only significant risk for the entity. It is presumed that this risk is present in all entities. We did not identify any significant risks related to error; however, we consider the following to be key audit areas.

- Noncompliance with laws and regulations
- Noncompliance with debt covenants
- Estimates related to net pension and other post-employment benefits (OPEB) obligations
- Valuation of Investments
- Revenue Recognition
- Capital Assets including the State Water Project
- Payroll and other expenses
- Bonds Payable
- Financial Reporting

We will start the interim financial statement fieldwork July 11, 2022 which will last approximately 2 weeks. We will start final financial statement fieldwork on August 15, 2022, which will last approximately 9 weeks with the ultimate goal of issuing the reports and presenting to the audit and ethics committee in October 2022.



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Materiality in context of the audit

Our professional standards require that we exercise professional judgment when we consider materiality and its relationship with audit risk when determining the nature, timing, and extent of our audit procedures, and when evaluating the effect of misstatements. Our considerations of materiality include the following factors:

- Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.
- Judgments about materiality are made in light of surrounding circumstances and are affected by the size or nature of a misstatement, or a combination of both.
- Judgments about materiality involve both qualitative and quantitative considerations
- Judgments about matters that are material to users of the financial statements are based on a consideration of the common financial information needs of users as a group. The possible effect of misstatements on specific individual users, whose needs may vary widely, is not considered.
- Determining materiality is a matter of professional judgment and is affected by the auditor's perception of the financial information needs of users of the financial statements.
- Judgments about the size of misstatements that will be considered material provide a basis for
 - Determining the nature and extent of risk assessment procedures;
 - Identifying and assessing the risks of material misstatement; and
 - Determining the nature, timing, and extent of further audit procedures.

Independence

Auditor independence is a shared responsibility and most effective when management, those charged with governance and audit firms work together in considering compliance with the independence rules. In order for KPMG to fulfill its professional responsibility to maintain and monitor independence, management, those charged with governance, and KPMG each play an important role.

The firm maintains a system of quality control over compliance with independence rules and firm policies. Timely information regarding upcoming transactions or other business changes is necessary to effectively maintain the firm's independence in relation to (i) new affiliates (which may include subsidiaries, equity method investees/investments, sister companies, and other entities that meet the definition of an affiliate under AICPA independence rules) and (ii) new officers or directors with the ability to affect decision-making, beneficial owners with significant influence, and persons in key positions with respect to the preparation or oversight of the financial statements

Independence rules prohibit (i) certain employment relationships involving directors, officers, or others in an accounting or financial reporting oversight role and KPMG and KPMG covered persons and (ii) the



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organizations or its directors, officers, from having certain types of business relationships with KPMG or KPMG professionals.

Significant Findings or Issues Discussed with Management

We generally discuss a variety of matters, including auditing standards and regulations with you and management each year prior to our retention by you as the Organization's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Involvement of other

We will be assisted on the audit by the Metropolitan Water District of Southern California's Internal Audit Department.

Responsibilities

As outlined in the Engagement Letter approved by the General Auditor, management of the Organizations are responsible for:

- Communicating matters of governance interest to those charged with governance.
- The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Also as outlined in the Engagement Letter approved by the General Auditor, KPMG is responsible for the:

- Communicating clearly with those charged with governance the responsibilities of the auditor regarding the financial statement audit and an overview of the planned scope and timing of the audit.
- Obtaining from those charged with governance information relevant to the audit.
- Providing those charged with governance with timely observations arising from the audit that are significant and relevant to their responsibility to oversee the financial reporting process.
- Promoting effective two-way communication between the auditor and those charged with governance.
- Communicating effectively with management and third parties.
- If we conclude that no reasonable justification for a change of the terms of the audit engagement exists and we are not permitted by management to continue the original audit engagement, we should:
 - Withdraw from the audit engagement when possible under applicable law or regulation,
 - Communicate the circumstances to those charged with governance, and
 - Determine whether any obligation, either legal contractual, or otherwise, exists to report the circumstances to other parties, such as owners, or regulators.
- Forming and expressing an opinion about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared, in all material respects, in accordance with the applicable financial reporting framework.



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- Establishing the overall audit strategy and the audit plan, including the nature, timing, and extent of procedures necessary to obtain sufficient appropriate audit evidence.
- Communicating any procedures performed relating to other information, and the results of those procedures.

This letter to the Audit and Ethics Committee is intended solely for the information and use of the Audit and Ethics Committee and management and is not intended to be and should not be used by anyone other than these specified parties. Please contact me if you have any questions or comments on the information provided. I can be reached directly at (310) 592-3940 or bmwiese@kpmg.com

Very truly yours,

A handwritten signature in cursive script that reads "Brianne Wiese".

Brianne Wiese
Lead Audit Managing Director